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The U.S. Chamber of Commerce

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Coming Events

On February 13, from 7:30 a.m. until 5:00 p.m., the U.S. Department of Commerce, Trade and Development Agency, OPIC and Ex-Im Bank will host a conference on **Croatia's Energy Industry: Strategic Opportunities for U.S. Companies**. Senior officials from the Croatian Ministry of Economy, as well as the heads of major state-owned enterprises in the energy sector, will brief U.S. companies on their modernization projects and privatization plans. For more information on the conference, contact Kristen Brooks at 703-807-2745.

Regional

1. The U.S. Chamber of Commerce sent a letter to the U.S. Department of State urging it to support **the restoration of normal trade relations (NTR) for Yugoslavia**. The country's NTR status was stripped under U.S. sanctions that were imposed in 1992.

2. The European Commission adopted a proposal for the **financing of the EU's eastward enlargement** that seeks to delay full farm subsidies to the future EU members by ten years, and full regional aid by three years. The current Member States are expected to adopt a common strategy for negotiations on these issues, and their impact on the future EU budget, in the first half of 2002.

   The main points of the proposed framework for the financing of enlargement include:

   - 10-year transition periods before the new members are entitled to full agricultural subsidies;
   - direct payments to farmers in the new Member States would start at 25 percent of the level of support to current members, and rise to 35 percent in 2006;
   - the new members would be entitled to more support for rural development;
   - the candidates will be allowed to complement EU aid with national resources;
   - the level of production between 1995 and 1999 will be used as the reference for milk and sugar quotas;
   - the new members will immediately have access to all CAP market-support measures, such as intervention for the cereals;
   - three-year transition period for regional aid;
   - regional aid would be limited to 4 percent of the GDP, as is currently the rule in the EU;
   - the new members would get much less regional aid per capita than the current members.

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In addition, the EU would give support for nuclear safety in some new Member States, and special support measures for the northern, Turkish-controlled part of Cyprus if the island reunifies before it joins the EU.

The issues of the financing of enlargement will be discussed at the informal Council of EU foreign ministers in Caceres on February 8 and 9. The farm ministers from the Member States and the candidate countries will discuss negotiations on agriculture at a special Agriculture Council in Brussels on March 19. Based on those conclusions, the Commission is expected to present draft common negotiating positions for agriculture, regional policy and the budget in March.

3. Hungary requested a consultation with Romania within the dispute settling mechanism of the World Trade Organization about **Romania's introduction of a preliminary multilevel permit process for allowing wheat and flour shipments into the country**. All permits issued under the process are valid for two weeks. According to the Hungarian government, such a short term "makes Hungarian exports impossible and is thus fully contradictory to the contents of the WTO's import permission agreement." Romania in its original notice explained the move as a statistical necessity to decide whether protective measures are necessary. In late December, Romania had withdrawn strict quality control requirements for Hungarian wheat, after Hungary turned to the WTO in protest.

4. Officials from **Bosnia and Yugoslavia signed a free-trade agreement** in Belgrade. Yugoslavia expects to sign a free-trade agreement with Hungary on March 8.

Belarus

Belarusian Prime Minister Henadz Navitsky and his Russian counterpart, Mikhail Kasyanov met in Moscow to discuss a number of issues, including **the collection of the value-added tax (VAT)**. Russia rejected the Belarusian proposal to let the VAT be collected based on the country-of-destination principle. The countries also discussed equalizing natural gas prices for Russian and Belarusian consumers, shipments of Russian diamonds to Belarusian cutting factories, and the repayment of foreign exchange proceeds from energy exports.

Czech Republic

CzechTrade's CEO Martin Tlapa reported that the Czech Republic posted **a surplus of about $431 million in its trade with the European Union**, up from the previous year's deficit of $27 million. Exports reached $23.5 billion (up 14 percent from $18.3 billion in 2000) and imports grew by 11 pct to $23.1 billion. Besides the usual Czech exports such as cars and electronics, products like toys and health food were also newly exported. Over half of all the exports was machinery and transport equipment. Among imports, spare parts prevailed, followed by electric circuit instruments and other electric machinery and instruments. Germany remains the Czech Republic's biggest trading partner, accounting for 40 percent of all Czech exports.

Hungary

The United States and Hungary signed an agreement in Budapest in which Hungary **agreed to reduce or suspend its tariffs on $180 million worth of key U.S. agricultural and industrial exports annually**, starting in April 2002. On the industrial side, the U.S. export products covered under the agreement include steam and gas turbines, large engine autos and auto and tractor parts, automatic data processing machines, office machine parts, beauty products, various chemicals, plastics, medical instruments and equipment, laser disks, and telephone equipment. On the agricultural side, the U.S. export products include almonds and pecans, grapefruit, and bovine semen. The Hungarian government has also made a substantial increase to its 2002 tariff rate quota for baby chicks. In return, the United States intends to continue its support for Hungary's participation in the U.S. trade preference program, known as the U.S. Generalized System of Preferences (GSP).

Lithuania

1. On February 2, Lithuania **pegged its currency to the euro** at a fixed exchange rate of 3.4528 litas to the euro. The Lithuanian currency had been fixed at a rate of four litas to the dollar since 1994. The decision to shift the peg was made so that there would not be any more exchange rate fluctuations in trading with the EU, which Lithuania hopes to join in 2004.

2. The Lithuanian Economy Ministry has moved to introduce **a 22 percent duty on non-dried baking yeast imports** into the country starting on March 1, 2002, in an effort to protect the country's sole baking yeast producer, Sema. Lithuania currently applies a zero tax rate to yeast imports from

Latvia, Estonia and the European Union, and a 15 percent rate to imports from Poland.

Poland

1. Prime Minister Leszek Miller's government approved a **four-year plan intended to fight unemployment, develop infrastructure and restore Poland's faltering economy to fast growth**. The economic program proposes to amend Poland's restrictive labor code, reduce bureaucratic obstacles to business, mobilize new financing for infrastructure and encourage employers to hire new graduates. The plan aims to restore economic growth of 5 percent within two years. Poland's economy grew by about 1 percent in 2001 and unemployment in December reached 17.4 percent, the highest rate since 1989.

2. The U.S. Chamber's President and CEO, **Thomas Donohue, will travel to Poland on February 6-7**. During his visit, Mr. Donohue will meet with the key economic ministers, media representatives, and leaders of the Polish business community.

Slovakia

Slovakia's Minister of Finance, Brigita Schmognerova, **resigned from her post**, under pressure from her party, the Democratic Left. Slovak President Rudolf Schuster appointed Frantisek Hajnovic, a 52-year-old analyst at the Slovak National Bank, to replace her.

Ukraine

1. Ukrainian chief veterinary surgeon Petro Verbytskyy **denied that the Ukrainian ban imposed on U.S. poultry imports was in response to the U.S. sanctions** enacted against Ukraine over CD piracy. According to Verbytskyy, Ukraine imposed the ban because its legislation forbids the use of antibiotics and preservatives in poultry production. Meanwhile, Economy Minister Oleksandr Shlapak stated that the U.S. sanctions over CD piracy will cost Ukraine $51 million and "thousands of jobs." Shlapak added that the Jackson-Vanik amendment passed in 1974, which is still in force, suggest that there will be no swift end to the sanctions even if Ukraine fully complies with the demands of the international music industry.

2. During the opening ceremony of the new Embassy of Iraq in Kiev, the Ukrainian Foreign Ministry's deputy state secretary Vladimir Yelchenko stated that **Ukraine supports the softening of the sanctions against Iraq** because they are ineffective.

3. Moody's, the rating agency, **upgraded** Ukraine's **foreign currency ceiling for bonds and bank deposits**, citing a sharp improvement in the country's macroeconomic indicators over the past two years. The agency raised the country's rating for bonds by two notches from Caa1 to B2 and the ceiling for bank deposits by one notch from Caa1 to B3. The move reflects the country's strong exports, tighter budgetary policies, reduction in some arrears and growth in foreign exchange reserves.

4. A court of arbitration in Moscow ruled that a **Ukrainian company must pay about $14.7 million to the Russian Defense Ministry in debt for supplied gas**. The defendant in this case was the Ukrainian company Bosfor, while the third party in the claim was the industrial-financial corporation United Energy Systems of Ukraine (UESU). The debt arose from gas supplied by Russia to UESU in 1996-97. The Ukrainian companies are accused of failing to deliver under a barter agreement signed with the Russian Defense Ministry in 1996, when the UESU was run by Yuliya Tymoshenko.